

New Hampton CSD/EA

2003-2004  
CEO 452  
SECTOR 2

STATE OF IOWA  
PUBLIC EMPLOYMENT RELATIONS BOARD

In the Matter of the Arbitration

between

BOARD OF EDUCATION  
NEW HAMPTON COMMUNITY  
SCHOOL DISTRICT

and

NEW HAMPTON EDUCATION  
ASSOCIATION ISEA/NEA

Before

Harvey A. Nathan

Impasse Arbitrator

Hearing Held: May 4, 2004

For the Board: Steve Weidner,  
Attorney  
Robert A. Longmuir,  
Superintendent

For the Association: Richard Engen,  
UniServ Director  
Betty Fuller,  
Technical Advisor

ARBITRATOR'S AWARD

RECEIVED  
MAY 19 2004  
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RELATIONS BOARD

## I. INTRODUCTION

This is an impasse arbitration proceeding pursuant to the Public Employment Relations Act, Chapter 20 of the Iowa Code. The New Hampton Community School District, located in the county seat of Chickasaw County in northeastern Iowa, serves several communities and covers 248 square miles. The Association represents a bargaining unit of approximately 88 teachers and one nurse. There is also a bargaining unit of classified employees not involved in this proceeding. The Association was certified as the bargaining agent in 1982 and in 1994. The District has a certified enrollment of 1125 pupils. This number has declined by about 30% over the last twenty years.<sup>1</sup> It ranks 98<sup>th</sup> in size among Iowa's 369 school districts.

There are two issues at impasse: salary and insurance. They may be diagramed thus:

	CURRENT	ASSOCIATION	DISTRICT
BA Base	\$22.075	\$22,523.50 (+ \$448.50)	\$22,375 (+\$300.00)
Health Ins.	\$481.50	\$521.50 (+\$40)	\$508.50 (+27.00)
Total Package Increase		\$166,853 (3.92%)	\$129,639 (3.05%)

The District's history of declining enrollment and stagnant state funding has contributed to a difficult bargaining history with modest total package increases over the last several years. The history of salary increases is as follows:

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<sup>1</sup> Declining student enrollment has greatly affected the District's financial resources because Iowa's school funding method is based on student enrollment without regard to threshold costs for operating an effective education program.

YEAR	BA BASE	GAIN	PACKAGE % GAIN	NEW \$\$ (Allow Growth)	TOTAL \$ COSTS
93-94	\$ 17,950	\$ 0	1.68 %	0.00%	\$ 60,929
94-95	18,250	300	3.49%	1.57%	120,976
95-96	18,750	500	(3.5 Assoc) 4.51%	4.44%	159,362
96-97	19,425	675	(4.57 Assoc) 5.45%	6.65%	200,012
97-98	19,825	400	3.94%	2.48%	150,490
98-99	20,225	400	3.64%	1.66%	143,200
99-00	20,625	400	2.94%	0.00%	119,990
00-01	21,025	400	3.55%	0.00%	148,257
01-02	21,425	400	3.31%	0.00%	143,139
02-03	21,725	300	3.61%	0.00%	157,285
03-04	22,075	350	(3.60 Assoc) 3.61%	0.00%	153,362

The basic salary schedule has five lanes (BA, BA+15, BA+30, MA, MA+15). The number of steps in these lanes is 10, 12, 14, 17 and 17, respectively. There are career steps at certain junctures above this. There are about 57 teachers in the BA lanes and 31 in the MA lanes. About half, perhaps a little less, of the teachers are eligible for step increases.

## **II. COMPARABILITY**

The District is a member of the Northeast Iowa Athletic Conference. The Association cites the Conference as a comparability group and also uses a group of similar size schools within 100 miles of New Hampton. The Association's groups may be charted as follows:

Waverly-Shell Rock	1,917	West Delaware	1,741
Charles City	1,653	Webster City	1,663
Howard Winneshiek	1,533	Independence	1,507
Oelwein	1,521	Hampton-Dumont	1,227
Allamakee	1,490	Center Point-Urbana	1,110
Decorah	1,467	Iowa Falls	1,083
		Osage	1,029
Average	1,597	North Fayette	1,019
New Hampton	1,125	M-F-L MarMac	991
	(472)		
(30% below average)		Average	1,263
		New Hampton	1,125
			(138)
			(11% below average)

The District also uses a second comparability group. Its group consists of the schools which are within a 60 mile radius of New Hampton and have a certified enrollment within 400 pupils of New Hampton. This group is as follows:

Oelwein	1521	Gladbrook-Reinbeck	837
Independence	1507	Dike-New Hartford	820
Allamakee	1491	Jesup	814
Decorah	1467	Starmont	798
Clear Lake	1459	Nashua-Plainfield	794
Union	1241	Hudson	739
Hampton-Dumont	1227		
Osage	1029	Average	1110
North Fayette	1019	New Hampton	1125
M-F-L Mar Mac	991		+15
			1% above average

While it is traditional to use athletic conferences for comparability, here Waverly-Shell Rock and Charles City are too large to be useful. Without them, however, the group is too small for an analysis. The District's group of 400 plus or minus within 60 miles is the better group. While the smaller districts may distort some considerations they are offset by

several districts which are much larger than New Hampton.

### **III. FINANCES**

The most significant factor in an assessment of the District's finances is that it has had no increase in allowable growth (no new money) in the last five years. A change in the school funding system will result in a decrease of \$31,406 in its budget guarantee for next year. Whereas in the past districts with declining enrollments received at least 100% of prior budget guarantees, the state government has apparently decided that there is too much unspent budget authority in districts with shrinking student populations. These districts are expected to make do with less because there are fewer pupils to educate. Because the operation of a school district is so labor intensive, a reduction of costs almost always means a reduction in staff. Yet, at some point these districts cannot simply reduce employees without jeopardizing their educational programs. The District here suggests that it has reached that point and that it must closely monitor increased salary costs so as not to exceed what it needs to maintain its educational programs.

The District also emphasizes that its unspent balance is decreasing to a level which gives it too little cushion to operate efficiently. The District's unspent balance was about \$454,000 at the end of the last fiscal year. This was about 5.3% of its authorized budget, and substantially less as a percentage of budget than in other comparable school districts. However, the District has not had a pattern of declining balances. Rather, its carryover has been steady throughout the years of zero growth, and has increased slightly this past year.

While the District predicts dire balances in the future, there are too many unknowns for the arbitrator to rely on such predictions as a basis for the selection of the District's arbitration proposals over that of the Union.<sup>2</sup> The District's recent history of laboring with a steady, albeit small, unspent balance is a better indicator.

What is more significant is the ratio of salaries and benefits to total expenditures. New Hampton has a relatively high ratio which means that it is already doing with less in other areas of educational needs. Even with the District's instructional support levy, the proceeds of which are used to fund technical equipment (*e.g.* computers), teacher training and buses, it is not spending excessively in these areas. Indeed, being a large geographic district with expensive transportation needs, the salary and benefits ratio remains quite high. The point here is simply that the District spends more on salary and benefits than what might be expected given the availability of revenues from the instructional support levy for other uses.<sup>3</sup>

While not disputing the District's financial problems, the Association points out that many districts in Iowa are working with no growth and will be faced with negative growth in the coming year. Yet, these districts are able to maintain salary increases similar to or

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<sup>2</sup> Not surprisingly, a district with a low carryover also has a low cash balance. The parties devoted a measurable amount of time to exploring the District's cash flow and its cash reserve levy. However, liquidity is really not an issue in this case. The District's ability to levy for more cash is not a factor that the arbitrator finds significant in this matter.

<sup>3</sup> Nor was there any evidence that the District spends excessively for administrative and support staff.

greater than the Association's proposal.<sup>4</sup> Lack of financial growth, the Association points out, is just one factor to be considered. What must also be weighed are indirect revenues, such as turnover savings when older teachers leave and younger ones are hired. Declining enrollment often translates into a smaller staff and the proceeds from these savings can be used to fund salary and benefit increases. New Hampton will realize at least \$163,000 in savings from its decision not to replace two teachers leaving the District and by its reduction of the schedules of four other teachers. Additionally, the District has yet to announce whether it will replace a guidance counselor who has resigned. This could generate another \$38,000 in savings.

#### **IV. ANALYSIS OF THE ISSUES**

##### **1. Wages:**

The Association proposes a \$448 increase on the BA base. The District proposes \$300. In whole dollars the Association's proposal is higher than the increases received over the last several years. The District's proposal is somewhat below the historic settlements, although closer to the last two settlements than is the Association's proposal. The District's costing exhibit shows that its proposed salary increase including FICA/IPERS, but not including Title I and Special Ed funds, is a 2.78% increase. The Association's salary

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<sup>4</sup> The Association cites several dozen districts state-wide with negative growth where settlements have been similar to or greater than its proposal. The Association also lists a number of districts with stagnant growth for at least six years which have managed to pay what the Association is seeking here.

proposal is costed as a 3.43% increase.<sup>5</sup> There is approximately a \$25,000 difference in the salary proposals.

Either salary proposal could be funded by turnover savings. However, the decrease in allowable growth (\$31,406) offsets the attractiveness of the Association's proposal and if that were awarded the net after turnover savings would not allow much, if anything, for increases in the salaries of other employees or for increases in benefit costs.

New Hampton is below average in the BA lanes compared with the 400 above and below (60 mile) group. Its base salary is at the bottom. However, its MA salaries are competitive and above average.<sup>6</sup> The District needs to improve its base salary. Neither proposal really addresses this problem because the proposed increases are across the board.

The District did not introduce the 2004-2005 settlements for its 60 mile comparability group. Using the Association's exhibit which has some overlap with the 60 mile group, there is evidence of the following total package settlements:

Decorah	4.7% package with .3% regular program decrease
Independence	3.97% package with .3% regular program decrease
M-F-L Mar Mac	5.03% package with .2% regular program decrease (part of 3 year contract through 2007)
Oelwein	3.91% package with .33% regular program increase

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<sup>5</sup> The costing data supplied also included small amounts for LTD and life insurance. The dollar amounts remain the same and this tends to decrease the net percentage increase by very small number.

<sup>6</sup> The District suggests that its average salaries rank high in this comparability group. However, this merely may be a reflection of the scattergram. A better measure would be a showing of how the New Hampton teachers would fare on other districts' schedules.



Finally, the Association has submitted an exhibit listing settlements in 67 districts, state-wide, where each district will experience a regular program decrease. This exhibit shows that every settlement was greater than New Hampton's proposal, and most were higher than what the Association seeks. The average settlement for these 67 districts is 4.18%. The average decrease in "new money" is .71%. The Association argues that this broad sampling is the best indicator that the District's proposal is too low; that other districts with negative new money have managed to agree to settlements greater than what New Hampton has put before the arbitrator.

Although the arbitrator is not privy to the details of these 67 districts which have managed to settle for higher percentages than New Hampton has offered (and most are higher than what the Association seeks), one must assume that these districts are able to generate sufficient revenues to pay the increases. Whether it is through higher levies, a reduction of staff and programs, program and administration sharing, a reduction in benefits not tallied with total package costs, or the like, is a matter of speculation on this record. It is clear to the arbitrator that in this case it would be imprudent to select the Association's proposal. It is not that the teachers are well paid, or could not earn more in districts within commuting distance. Nor is it that the District's proposal is particularly appealing. It is simply less unappealing than the Association's.

The arbitrator has been persuaded that the District is cutting close to the bone. It risks tampering with the educational needs of the students if it has to reduce additional staff (or

not replace those who are leaving). The difference between the proposals is not great, but with the District's history of poor funding and that the parties have historically had settlements lower than what the Association now seeks, it is inappropriate to increase the settlement percentage in the first year of decreased regular program money. Since 1999, and during the five years of no new money, the parties have settled for 2.94%, 3.55%, 3.31%, 3.61% and 3.61%. An increased rate to 3.98% this year is contrary to the statutory standards. The comparability data does not convince the arbitrator otherwise. Finally, there has been little external inflationary pressure this past year which might otherwise have diluted the real value of the salaries.

## 2. Insurance

The District now pays \$481.50 a month toward insurance coverage, and if the coverage selected by an employee costs less, the cash difference is paid to the employee. The cost of coverage varies according to the amount of the deductible expenses preceding reimbursement. These range from \$100 to \$1,000 per month. Currently, 64 employees take single coverage and 24 subscribe to family coverage. Most employees are enrolled in the \$100 deductible plan.

Next year premiums for the \$100 deductible plan will increase to \$503 per month for single coverage and to \$1290 per month for family insurance. The Association is seeking a \$40 per month increase. The District has offered an additional \$27.00 a month. The contribution history since 1999 has been as follows:

Year	Dist. Single Contrib	Dist Family Contrib	Ee Family Contrib
1999-2000	\$263.63	\$82.37	\$295.93
2000-2001	386.00	00.00	341.00
2001-2002	349.57	57.00	489.00
2002-2003	401.00	45.00	583.00
2003-2004	441.00	40.50	650.50

The premium amounts for next year represent a 14% increase over this past year's costs. The District's proposal will meet the new single coverage premium but it will result in a reduction of its family coverage contribution to almost nothing (\$5.50 per month). The Association's proposal will leave \$18.50 a month toward family coverage. The Association's proposal is more appropriate for the following reasons:

1. The District's new salary structure will cost 2.78% more than it paid for salaries last year.
2. The District has a history of making some contribution toward family coverage.
3. The difference in the two insurance proposals is a modest \$12,600 (.3% of last year's total cost for salary and insurance).
4. Insurance costs will increase 14% but the District's proposal is an increase of 5.6%.<sup>7</sup>

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<sup>7</sup> The Arbitrator has considered the data supplied for comparable districts but finds it lacking in sufficient detail to affect the outcome for this issue. Generally speaking, insurance plans differ from district to district and sufficient detail must be provided for a full analysis. Otherwise, the Association's proposal, as explained above, is within the parties' historic practice and can be paid for by the District as contemplated by Section 20.22.9 of the Code.

## **A W A R D**

1. The District's proposal for a \$300 increase in BA Base salary is selected.
2. The Association's proposal for a \$40 increase in District contributions is selected.

Respectfully submitted,



HARVEY A. NATHAN

May 8, 2004

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May 9, 2004

Mr. Steven Weidner  
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Mr. Richard Engen  
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Re: New Hampton Schools  
Impasse Arbitration

Gentlemen:

I noticed a factual misstatement in the Award. On page 10, second paragraph, fourth line, there is a sentence "These range from \$100 to \$1,000 per month." The sentence should read, "These range from \$100 to \$1,000 per year."

This clarification of this statement of fact does not affect the outcome of the Award.

Sincerely yours,

  
HARVEY A. NATHAN

cc: PERB